



LUMBER FAIR TRADE GROUP

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Jack O. Andresen
Executive Director

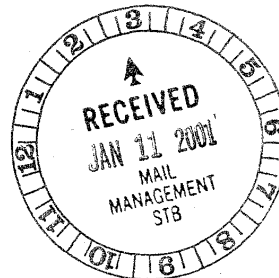
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Office of the Secretary

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Public Record

January 11, 2001



The Honorable Vernon A. Williams
Office of the Secretary
Surface Transportation Board
Case Control Unit
ATTN: STB Ex Parte No. 582 (Sub-No. 1)
1925 K Street, N.W.
Washington, D.C. 20423-0001

Dear Mr. Williams:

The Lumber Fair Trade Group (LFTG) opposes establishment of an expedited review period for proposed rail mergers and supports the inclusion of rail marketing agreements and alliances in the merger rules. Further, LFTG strongly believes that any approval of a merger, marketing agreement or alliance or other combination or quasi-combination of railroads that involve foreign control of U.S. railroad property and/or routes must require retention of full and complete records within the jurisdiction of the STB and the U.S. Courts.

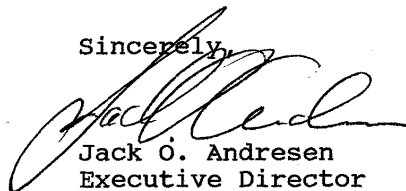
LFTG represents numerous independent wholesale lumber distributors of forest products. LFTG's members deal heavily in lumber produced in Canada with over 50% of that lumber originating in the western province of British Columbia (BC). Since the early 1990s, LFTG member companies have been forced to accept sale terms dictated by the BC lumber mills that includes pricing on an FOB origin basis plus a mill determined amount that allegedly represents the mill's delivered freight cost to the destination. The Canadian mills steadfastly refuse to sell FOB origin with freight for the buyer's account unless the buyer first obtains written agreement of the Canadian National Railroad (CN) to publish contract rates for the buyer's account. The CN refuses to publish contract rates for the buyer's account unless the buyer first obtains written agreement from Canadian mills that they will sell to the buyer FOB origin. This combination of policies on the part of CN and the mills has had a shielding effect resulting in the addition of unsubstantiated and overstated freight costs referred to as "Phantom Freight".

Hon. Vernon A. Williams
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LFTG's concerns are predicated on the fact that the current phantom freight practice is shielded from the application of U.S. antitrust laws by retention, in secret, of all freight bills and accounting records outside the jurisdiction of the United States. The existence of this shielding effect on the part of the CN and BC mills is the position stated to LFTG by the Departments of Commerce and Justice, the Federal Trade Commission and the office of the U.S. Trade Representative after their preliminary investigations into LFTG's request for their intervention to prosecute those Canadian corporations practicing phantom freight. The negotiated Rates Act of 1993, strictly prohibits similar phantom freight practices in the U.S. Trucking industry.

In closing, LFTG strongly believes that any new rules proposed by the STB, must, not reduce the period of review, include all mergers, marketing agreements and alliances, and, insure adequate and direct records retention and accessibility within the jurisdiction of the United States. If copies of records are not retained and accessible within the U.S., no U.S. law, regulation or order can be enforced.

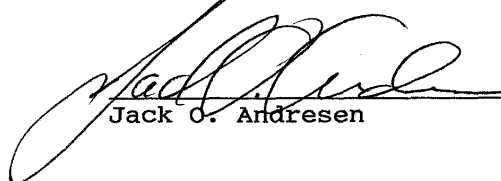
Sincerely,



Jack O. Andresen
Executive Director

CERTIFICATE OF SERVICE

I hereby certify that this 11th day of January 2001, I have served a copy of the forgoing on all known parties of record on the Service List in accordance with the Board's Rules of Practice.



Jack O. Andresen